
**Huber Heights City School District
Montgomery County, Ohio**

Basic Financial Statements

June 30, 2011

with Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Huber Heights City School District
5954 Longford Road
Huber Heights, Ohio 45424

We have reviewed the *Independent Auditors' Report* of the Huber Heights City School District, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Ohio Revised Code § 9.39 states "all public officials are liable for all public money received or collected by them or by their subordinates under color of office." The term "public official" is defined in Ohio Revised Code section 117.01(E) as "any officer, employee, or duly authorized representative or agent of a public office." Additionally, Ohio Revised Code section 117.01(C) defines "public money" as "any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of the public office.

On September 9, 2011, \$4,176 was collected in football gate receipts however, the receipts on September 9, 2011, and were not deposited in to the District's account. The Athletic Director did not personally take gate receipts, but was the official in charge of the collection of such funds.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies collected but unaccounted for is hereby issued against Jay Minton, Athletic Director, in the amount of \$4,176, in favor of Huber Heights City School District, Montgomery County, District Managed Athletics Fund.

Board of Education
Huber Heights City School District
Page -2-

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Huber Heights City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

January 9, 2012

TABLE OF CONTENTS

Independent Auditors' Report	1-2
<u>Basic Financial Statements:</u>	
Management's Discussion and Analysis	3-10
Statement of Net Assets	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16-17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund	20-21
Statement of Net Assets – Fiduciary Funds	22
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust	23
Notes to the Basic Financial Statements	24-51
Schedule of Expenditures of Federal Awards	52
Notes to the Schedule of Expenditures of Federal Awards	53
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54-55
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	56-57
Schedule of Findings and Questioned Costs	58-59
Independent Accountants' Report on Applying Agreed Upon Procedures	60

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Independent Auditors' Report

Board of Education
Huber Heights City School District
5954 Longford Road
Huber Heights, Ohio 45424

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huber Heights City School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 3 through 10, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 28, 2011

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011***

Unaudited

The discussion and analysis of Huber Heights City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2011 are as follows:

- ❑ In total, net assets decreased \$7,069,944. This represented a 6% change from the amount reported in the prior fiscal year.
- ❑ General revenues accounted for \$64,941,659 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,839,514 or 15% of total revenues of \$76,781,173.
- ❑ The District had \$83,851,117 in expenses related to governmental activities; \$11,839,514 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$64,941,659 were also available to provide for these programs.
- ❑ The District's general fund had \$59,797,740 in revenues and \$64,874,995 in expenditures. The general fund's fund balance decreased \$5,053,688 to \$12,325,365.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011***

Unaudited

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net-assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category for its activities:

Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Unaudited

Fiduciary Funds – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2011 compared to 2010.

	Governmental Activities	Restated 2010	Increase (Decrease)
	2011	2010	
Current and other assets	\$152,088,249	\$215,746,377	(\$63,658,128)
Capital assets, Net	91,102,871	30,374,677	60,728,194
Total assets	243,191,120	246,121,054	(2,929,934)
Long-term debt outstanding	84,160,485	84,006,742	153,743
Other liabilities	42,166,333	38,180,066	3,986,267
Total liabilities	126,326,818	122,186,808	4,140,010
Net assets			
Invested in capital assets, net of related debt	89,112,311	29,068,428	60,043,883
Restricted	17,219,773	78,983,824	(61,764,051)
Unrestricted	10,532,218	15,881,994	(5,349,776)
Total net assets	\$116,864,302	\$123,934,246	(\$7,069,944)

The continued construction of new school facilities resulted in an increase in capital assets, and a corresponding decrease in current assets (receivables and cash). Outstanding payables for the school facilities construction project resulted in a slight increase in liabilities.

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HUBER HEIGHTS CITY SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2011 compared to 2010:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Revenues			
Program revenues:			
Charges for Services and Sales	\$2,899,573	\$2,812,808	\$86,765
Operating Grants and Contributions	8,939,941	7,720,686	1,219,255
Total Program revenues	11,839,514	10,533,494	1,306,020
General revenues:			
Property Taxes	32,292,418	32,272,766	19,652
Intergovernmental, Unrestricted	32,002,548	32,303,886	(301,338)
Other	646,693	890,650	(243,957)
Total General revenues	64,941,659	65,467,302	(525,643)
Total revenues	76,781,173	76,000,796	780,377
Program Expenses			
Instruction	51,664,633	46,882,492	4,782,141
Support Services:			
Pupils	3,258,695	3,008,807	249,888
Instructional Staff	4,985,036	4,814,503	170,533
Board of Education	36,455	34,682	1,773
Administration	4,617,141	4,368,505	248,636
Fiscal Services	1,132,750	1,064,319	68,431
Business	581,532	546,871	34,661
Operation and Maintenance of Plant	5,732,653	5,006,891	725,762
Pupil Transportation	3,497,154	3,598,309	(101,155)
Central	507,202	569,406	(62,204)
Operation of Non-Instructional:			
Food Service Operations	2,389,504	2,338,398	51,106
Community Services	517,280	549,378	(32,098)
Extracurricular Activities	1,107,668	1,068,294	39,374
Debt Service:			
Interest and Fiscal Charges	3,823,414	3,604,890	218,524
Total expenses	83,851,117	77,455,745	6,395,372
Total Change in Net Assets	(7,069,944)	(1,454,949)	(5,614,995)
Beginning Net Assets - Restated	123,934,246	125,389,195	(1,454,949)
Ending Net Assets	\$116,864,302	\$123,934,246	(\$7,069,944)

Net assets of the District's governmental activities decreased \$7,069,944. Federal grant money received for the hiring of new employees and retention of existing employees resulted in an increase in operating grants and contributions as well as instruction expenses. The District finalized a voluntary early retirement incentive plan in fiscal 2011, which also contributed to the increase in instruction.

HUBER HEIGHTS CITY SCHOOL DISTRICT

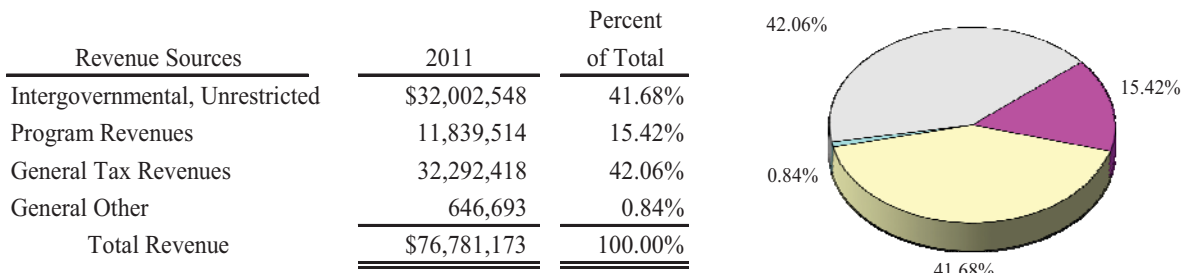
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Unaudited

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 42% of revenues for governmental activities for Huber Heights City Schools in fiscal year 2011. The District's reliance upon tax revenues is demonstrated by the following graph:



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$105,134,195, which is below last year's total of \$129,793,375. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)
General	\$12,325,365	\$17,379,053	(\$5,053,688)
Ohio School Facilities	82,327,881	104,573,396	(22,245,515)
Other Governmental	10,480,949	7,840,926	2,640,023
Total	<u>\$105,134,195</u>	<u>\$129,793,375</u>	<u>(\$24,659,180)</u>

Expenditures continued to outpace revenues in the District's general fund, resulting in a decrease in fund balance. The increase in the District's Other Governmental Funds can be attributed to federal grants received for the hiring of new employees and retention of existing employees. The Ohio School Facilities fund balance decreased due to outlays for school building construction.

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Unaudited

General Fund – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2011 Revenues	Restated 2010 Revenues	Increase (Decrease)
Taxes	\$26,770,892	\$26,115,917	\$654,975
Tuition	609,846	484,146	125,700
Transportation Fees	0	15,113	(15,113)
Investment Earnings	49,678	81,327	(31,649)
Extracurricular Activities	379,617	381,625	(2,008)
Class Materials and Fees	304,334	340,775	(36,441)
Intermediate Sources	0	319,417	(319,417)
Intergovernmental - State	31,118,196	31,319,329	(201,133)
Intergovernmental - Federal	288,297	207,998	80,299
All Other Revenue	276,880	302,391	(25,511)
Total	\$59,797,740	\$59,568,038	\$229,702

General Fund revenues in 2011 remained stable, increasing less than 1% compared to revenues in fiscal year 2010.

	2011 Expenditures	Restated 2010 Expenditures	Increase (Decrease)
Instruction	\$43,268,809	\$42,674,705	\$594,104
Supporting Services:			
Pupils	3,178,106	2,900,842	277,264
Instructional Staff	4,217,101	3,776,205	440,896
Board of Education	36,455	34,682	1,773
Administration	4,453,918	4,262,228	191,690
Fiscal Services	1,023,596	995,442	28,154
Business	581,452	492,887	88,565
Operation and Maintenance of Plant	3,813,811	3,939,428	(125,617)
Pupil Transportation	2,819,869	3,330,679	(510,810)
Central	497,839	561,922	(64,083)
Community Services	133,799	178,825	(45,026)
Extracurricular Activities	640,196	654,869	(14,673)
Debt Service			
Principal Retirement	90,365	30,365	60,000
Interest and Fiscal Charges	119,679	82,223	37,456
Total	\$64,874,995	\$63,915,302	\$959,693

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011***

Unaudited

Expenditures increased \$959,693 or approximately 2% compared to the prior year. The purchase of busses in the prior year resulted in the decrease in transportation in the current year. An increase in costs for special education aides contributed to the increase in instructional staff.

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2011 the District amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue estimates were equal to original budget amounts. Actual budget basis revenue of \$59 million was 1% more than final budget estimates. Actual budget basis expenditures were 3% less than final budget estimates due mostly to decreases in expenditures for instruction and operation and maintenance of plant. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2011 the District had \$91,102,871 net of accumulated depreciation invested in land, construction in progress, improvements, buildings, equipment and vehicles. The following table shows fiscal year 2011 and 2010 balances:

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2011</u>	<u>2010</u>	
Land	\$970,003	\$978,013	(\$8,010)
Construction in Progress	74,031,720	11,929,760	62,101,960
Land Improvements	2,951,810	2,084,348	867,462
Buildings and Improvements	22,777,033	26,293,732	(3,516,699)
Machinery and Equipment	3,514,270	4,050,490	(536,220)
Vehicles	3,749,472	3,505,318	244,154
Less: Accumulated Depreciation	<u>(16,891,437)</u>	<u>(18,466,984)</u>	<u>1,575,547</u>
Totals	<u>\$91,102,871</u>	<u>\$30,374,677</u>	<u>\$60,728,194</u>

The increase in construction in progress consisted of new school facility construction.

Additional information on the District's capital assets can be found in Note 10.

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011**

Unaudited

Debt

At June 30, 2011, the District had \$79 million in bonds outstanding for the construction of new school facilities, \$875,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Governmental Activities:		
Energy Conservation Notes:		
School Improvement	\$121,460	\$151,825
General Obligation Bonds:		
School Improvement	79,160,000	80,015,000
Certificates of Participation:		
School Improvement	1,640,000	1,700,000
Early Retirement Incentive Payable	1,448,619	0
Capital Leases Payable	229,100	243,052
Compensated Absences	1,561,306	1,896,865
Totals	<u>\$84,160,485</u>	<u>\$84,006,742</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2011, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 13.

ECONOMIC FACTORS

The Governor's Office is currently working on a new formula to fund schools for the next school year. But, the continued economic downturn in the economy has forced the State of Ohio to decrease the funding to school districts currently. Further property tax revenue will mostly decrease in the next fiscal year, because of the drop in tax valuation. Because of the uncertainty in the financial resources of the District, reductions to expenditures will be reviewed as to have the least amount of impact on the instructional level as possible.

In conclusion, the Huber Heights City School District continues to commit itself to financial excellence for many years.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Ann Bernardo, Treasurer for the Huber Heights City School District.

HUBER HEIGHTS CITY SCHOOL DISTRICT

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HUBER HEIGHTS CITY SCHOOL DISTRICT

Statement of Net Assets ***June 30, 2011***

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 24,178,508
Investments	91,483,079
Receivables:	
Taxes	30,840,075
Intergovernmental	3,130,611
Inventory of Supplies at Cost	414,765
Restricted Assets:	
Cash and Cash Equivalents	900,371
Cash with Fiscal Agent	1,140,840
Non-Depreciable Capital Assets	75,001,723
Depreciable Capital Assets, Net	16,101,148
Total Assets	243,191,120
Liabilities:	
Accounts Payable	3,886,252
Accrued Wages and Benefits	6,598,417
Intergovernmental Payable	2,414,991
Unearned Revenue - Taxes	27,216,011
Retainage Payable	1,731,746
Accrued Interest Payable	318,916
Long Term Liabilities:	
Due Within One Year	1,831,189
Due in More Than One Year	82,329,296
Total Liabilities	126,326,818
Net Assets:	
Invested in Capital Assets, Net of Related Debt	89,112,311
Restricted For:	
Capital Projects	12,257,219
Debt Service	2,799,418
Other Purposes	2,163,136
Unrestricted	10,532,218
Total Net Assets	\$ 116,864,302
See accompanying notes to the basic financial statements	

HUBER HEIGHTS CITY SCHOOL DISTRICT

Statement of Activities For the Fiscal Year Ended June 30, 2011

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 51,664,633	\$ 914,180	\$ 4,844,762	\$ (45,905,691)
Support Services:				
Pupils	3,258,695	0	97,431	(3,161,264)
Instructional Staff	4,985,036	0	767,231	(4,217,805)
Board of Education	36,455	0	0	(36,455)
Administration	4,617,141	0	79,306	(4,537,835)
Fiscal Services	1,132,750	0	0	(1,132,750)
Business	581,532	0	0	(581,532)
Operation and Maintenance of Plant	5,732,653	0	1,109,550	(4,623,103)
Pupil Transportation	3,497,154	0	342,578	(3,154,576)
Central	507,202	0	5,000	(502,202)
Operation of Non-Instructional:				
Food Service Operations	2,389,504	1,116,092	1,295,892	22,480
Community Services	517,280	0	398,191	(119,089)
Extracurricular Activities	1,107,668	869,301	0	(238,367)
Interest and Fiscal Charges	3,823,414	0	0	(3,823,414)
Total Governmental Activities	\$ 83,851,117	\$ 2,899,573	\$ 8,939,941	(72,011,603)
General Revenues				
Property Taxes Levied for:				
General Purposes				26,809,113
Debt Service				4,512,017
Capital Outlay				971,288
Intergovernmental, Unrestricted				32,002,548
Investment Earnings				328,612
Miscellaneous				318,081
Total General Revenues				64,941,659
Change in Net Assets				(7,069,944)
Net Assets Beginning of Year - Restated				123,934,246
Net Assets End of Year				\$ 116,864,302

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2011

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 8,979,310	\$ 9,183,487	\$ 6,015,711	\$ 24,178,508
Investments	8,668,812	77,884,512	4,929,755	91,483,079
Receivables:				
Taxes	25,556,426	0	5,283,649	30,840,075
Intergovernmental	0	2,504,560	626,051	3,130,611
Interfund Loans Receivable	21,520	0	0	21,520
Inventory of Supplies at Cost	396,753	0	18,012	414,765
Restricted Assets:				
Cash and Cash Equivalents	900,371	0	0	900,371
Cash with Fiscal Agent	0	1,101,830	39,010	1,140,840
Total Assets	\$ 44,523,192	\$ 90,674,389	\$ 16,912,188	\$ 152,109,769
Liabilities:				
Accounts Payable	\$ 136,886	\$ 3,684,515	\$ 64,851	\$ 3,886,252
Accrued Wages and Benefits	5,917,008	0	681,409	6,598,417
Intergovernmental Payable	1,605,273	708,854	100,864	2,414,991
Early Retirement Incentive Payable	482,873	0	0	482,873
Interfund Loans Payable	0	0	21,520	21,520
Deferred Revenue - Taxes	24,055,787	0	4,968,517	29,024,304
Deferred Revenue	0	2,221,393	594,078	2,815,471
Retainage Payable	0	1,731,746	0	1,731,746
Total Liabilities	32,197,827	8,346,508	6,431,239	46,975,574
Fund Balance:				
Nonspendable	396,753	0	18,012	414,765
Restricted	900,371	82,327,881	11,021,558	94,249,810
Committed	11,000	0	0	11,000
Assigned	4,104,021	0	0	4,104,021
Unassigned	6,913,220	0	(558,621)	6,354,599
Total Fund Balance	12,325,365	82,327,881	10,480,949	105,134,195
Total Liabilities and Fund Balance	\$ 44,523,192	\$ 90,674,389	\$ 16,912,188	\$ 152,109,769

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities June 30, 2011

Total Governmental Fund Balances	\$	105,134,195
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		91,102,871
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		4,623,764
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(79,160,000)	
Certificates of Participation	(1,640,000)	
Energy Conservation Notes Payable	(121,460)	
Capital Leases Payable	(229,100)	
Early Retirement Incentive Payable	(965,746)	
Compensated Absences Payable	(1,561,306)	
Interest Payable	(318,916)	
	<u> </u>	<u>(83,996,528)</u>
Net Assets of Governmental Activities	\$	<u>116,864,302</u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:				
Local Sources:				
Taxes	\$ 26,770,892	\$ 0	\$ 5,477,380	\$ 32,248,272
Tuition	609,846	0	0	609,846
Investment Earnings	49,678	277,194	1,740	328,612
Food Services	0	0	1,116,092	1,116,092
Extracurricular Activities	379,617	0	489,684	869,301
Class Materials and Fees	304,334	0	0	304,334
Intergovernmental - State	31,118,196	43,189,112	1,276,777	75,584,085
Intergovernmental - Federal	288,297	0	8,456,334	8,744,631
All Other Revenue	276,880	3,845	37,356	318,081
Total Revenue	59,797,740	43,470,151	16,855,363	120,123,254
Expenditures:				
Current:				
Instruction	43,268,809	0	4,787,469	48,056,278
Supporting Services:				
Pupils	3,178,106	0	102,744	3,280,850
Instructional Staff	4,217,101	0	793,985	5,011,086
Board of Education	36,455	0	0	36,455
Administration	4,453,918	0	83,725	4,537,643
Fiscal Services	1,023,596	0	113,963	1,137,559
Business	581,452	0	0	581,452
Operation and Maintenance of Plant	3,813,811	708,854	1,175,838	5,698,503
Pupil Transportation	2,819,869	0	577,242	3,397,111
Central	497,839	0	4,964	502,803
Operation of Non-Instructional:				
Food Service Operations	0	0	2,385,497	2,385,497
Community Services	133,799	0	383,931	517,730
Extracurricular Activities	640,196	0	463,476	1,103,672
Capital Outlay	0	62,167,068	1,605,301	63,772,369
Debt Service:				
Principal Retirement	90,365	0	1,011,604	1,101,969
Interest & Fiscal Charges	119,679	0	3,706,193	3,825,872
Total Expenditures	64,874,995	62,875,922	17,195,932	144,946,849

HUBER HEIGHTS CITY SCHOOL DISTRICT

	General	Ohio School Facilities	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,077,255)	(19,405,771)	(340,569)	(24,823,595)
Other Financing Sources (Uses):				
Other Financing Sources - Capital Lease	0	0	142,652	142,652
Transfers In	0	0	2,839,744	2,839,744
Transfers Out	0	(2,839,744)	0	(2,839,744)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(2,839,744)</u>	<u>2,982,396</u>	<u>142,652</u>
Net Change in Fund Balance	(5,077,255)	(22,245,515)	2,641,827	(24,680,943)
Fund Balance at Beginning of Year - Restated	17,379,053	104,573,396	7,840,926	129,793,375
Increase (Decrease) in Inventory Reserve	23,567	0	(1,804)	21,763
Fund Balance End of Year	<u>\$ 12,325,365</u>	<u>\$ 82,327,881</u>	<u>\$ 10,480,949</u>	<u>\$ 105,134,195</u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2011***

Net Change in Fund Balances - Total Governmental Funds \$ (24,680,943)

***Amounts reported for governmental activities in the statement of
activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period 62,896,943

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (2,168,749)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in Deferred Revenues	(43,342,081)	
Change in Inventory	<u>21,763</u>	(43,320,318)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of long term note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	855,000	
Certificates of Participation Principal Payment	60,000	
Energy Conservation Note Principal Payment	30,365	
Capital Lease Principal Payment	156,604	
New Capital Lease	<u>(142,652)</u>	959,317

In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, an interest expenditure is reported when due. 2,458

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in Compensated Absences	207,094	
Change in Early Retirement Incentive Payable	<u>(965,746)</u>	<u>(758,652)</u>

Change in Net Assets of Governmental Activities \$ (7,069,944)

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

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HUBER HEIGHTS CITY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For The Fiscal Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 26,587,775	\$ 26,587,775	\$ 26,592,409	\$ 4,634
Tuition	482,046	482,046	608,796	126,750
Investment Earnings	41,537	41,537	21,404	(20,133)
Extracurricular Activities	153,591	153,591	145,471	(8,120)
Class Material and Fees	11,708	11,708	10,125	(1,583)
Intermediate Sources	319,417	319,417	0	(319,417)
Intergovernmental - State	30,381,222	30,381,222	31,118,196	736,974
Intergovernmental - Federal	207,998	207,998	288,297	80,299
All Other Revenues	283,097	283,097	296,174	13,077
Total Revenues	58,468,391	58,468,391	59,080,872	612,481
Expenditures:				
Current:				
Instruction	43,507,893	43,886,976	42,876,476	1,010,500
Support Services:				
Pupils	3,184,000	3,184,462	3,127,692	56,770
Instructional Staff	4,569,000	4,573,312	4,574,286	(974)
Board of Education	34,615	34,615	33,924	691
Administration	4,576,557	4,579,006	4,453,325	125,681
Fiscal Services	1,029,000	1,029,320	1,024,948	4,372
Business	580,000	599,060	611,753	(12,693)
Operation and Maintenance of Plant	4,100,000	4,238,606	3,956,339	282,267
Pupil Transportation	3,000,000	3,035,957	2,899,150	136,807
Central	590,000	605,000	514,522	90,478
Extracurricular Activities	657,000	657,000	648,263	8,737
Debt Service:				
Principal Retirement	90,365	90,365	90,365	0
Interest and Fiscal Charges	94,693	94,693	119,679	(24,986)
Total Expenditures	66,013,123	66,608,372	64,930,722	1,677,650

HUBER HEIGHTS CITY SCHOOL DISTRICT

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,544,732)	(8,139,981)	(5,849,850)	2,290,131
Other Financing Sources (Uses):				
Certificates of Participation Issued	500,000	500,000	0	(500,000)
Transfers Out	(155,000)	(155,000)	0	155,000
Advances In	1,293,718	1,293,718	1,223,177	(70,541)
Advances Out	0	0	(490,715)	(490,715)
Refund of Prior Year's Receipts	0	0	(12,201)	(12,201)
Total Other Financing Sources (Uses):	1,638,718	1,638,718	720,261	(918,457)
Net Change in Fund Balance	(5,906,014)	(6,501,263)	(5,129,589)	1,371,674
Fund Balance at Beginning of Year - Restated	20,533,961	20,533,961	20,533,961	0
Prior Year Encumbrances	595,251	595,251	595,251	0
Fund Balance at End of Year	\$ 15,223,198	\$ 14,627,949	\$ 15,999,623	\$ 1,371,674

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Statement of Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	
	Special Trust Fund	Agency
Assets:		
Cash and Cash Equivalents	\$ 9,431	\$ 80,951
Total Assets	<u>9,431</u>	<u>80,951</u>
Liabilities:		
Due to Students	0	80,951
Total Liabilities	<u>0</u>	<u>80,951</u>
Net Assets:		
Unrestricted	9,431	0
Total Net Assets	<u>\$ 9,431</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011***

	Private Purpose Trust <u>Special Trust</u> <u>Fund</u>
Additions:	
Total Additions	<u>\$ 0</u>
Deductions:	
Total Deductions	<u> 0</u>
Change in Net Assets	0
Net Assets at Beginning of Year	<u> 9,431</u>
Net Assets End of Year	<u><u>\$ 9,431</u></u>

See accompanying notes to the basic financial statements

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Huber Heights City School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by approximately 338 non-certified and approximately 513 certified teaching personnel and administrative employees providing education to 6,557 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

The District is associated with five organizations which are defined as jointly governed, and one public entity risk pool. These organizations include the Metropolitan Dayton Educational Computer Association (MDECA), the Southwestern Ohio Educational Purchasing Council, the Miami Valley Career Technical Center, Southwestern Ohio Instructional Technology Association, the Educational Regional Service System, and the Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are grouped into the categories governmental and fiduciary.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's major governmental funds:

General Fund - This fund is the general operating fund of the district and is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Ohio School Facilities Fund - This fund accounts for state grant monies and debt proceeds to be used for the construction of new school facilities.

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust that accounts for scholarship programs, gifts and awards for specific students. State law permits the District to appropriate for purposes consistent with the endowment's intent, net appreciation, both realized and unrealized. The District's agency fund accounts for various student-managed activity programs. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes property taxes, tuition, grants, student fees, and interest on investments.

Current property taxes measurable at June 30, 2011 which are not intended to finance fiscal 2011 operations have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the function level in the General Fund and fund level for all other funds. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2011.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the function level in the General Fund and fund level for all other funds. The appropriation resolution may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

<u>Net Change in Fund Balance</u>	<u>General Fund</u>
GAAP Basis (as reported)	(\$5,077,255)
Increase (Decrease):	
Accrued Revenues at June 30, 2011, received during FY 2012	(2,742,346)
Accrued Revenues at June 30, 2010, received during FY 2011	3,331,200
Accrued Expenditures at June 30, 2011, paid during FY 2012	8,122,801
Accrued Expenditures at June 30, 2010, paid during FY 2011	(7,694,871)
Encumbrances Outstanding	(1,053,456)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(15,662)
Budget Basis	<u><u>(\$5,129,589)</u></u>

F. Cash and Cash Equivalents

During fiscal year 2011 cash and cash equivalents included amounts in demand deposits, money market accounts, and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

The District pools its cash for investment and resource management purposes. Each fund's cash and cash equivalents on the balance sheet represents the balance on hand as if each fund maintained its own cash account. See Note 5, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts which are reported at cost.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments (Continued)

The District has invested funds in the STAR Ohio during 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011. See Note 5, "Cash, Cash Equivalents and Investments."

H. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when purchased.

I. Capital Assets and Depreciation

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental capital assets are those that are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds. These assets are capitalized at cost (or estimated historical cost for assets not purchased in recent years) within the governmental activities in the government-wide statement of net assets but are not reported in the fund financial statements.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Historical costs for governmental activities capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets and Depreciation (Continued)

2. Depreciation

All capital assets are depreciated excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives (in years)
Land Improvements	20
Buildings and Improvements	25 – 100
Machinery and Equipment	5 - 20
Vehicles	10

J. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Energy Conservation Notes	General Fund
General Obligation Bonds	Debt Service Fund
Certificates of Participation	General Fund, Debt Service Fund
Capital Leases Payable	Permanent Improvement Fund
Compensated Absences	General Fund, Food Services Fund, and Latchkey Fund
Early Retirement Incentive	General Fund

K. Compensated Absences

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” vacation benefits are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee’s wage rates at fiscal year end, taking into consideration any limits specified in the School District’s termination policy. For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for classified employees after 20 years of current service with the School District and for certified employees and administrators after 20 years of service.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported in the fund financial statements. In the government wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At June 30, 2011 there were no net assets restricted by enabling legislation.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a textbook and instructional materials reserve. Cash with fiscal agent represents cash and cash equivalents restricted in use for the retirement of matured bonds and interest payable as well as for the purchase of bricks for a memorial courtyard.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2011.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2011 of \$46 in the Management Information System Fund, \$182,399 in the Education Jobs Fund, \$14,177 in the Immigrant Grant Fund, \$262,664 in the Title VI-B Fund, \$78,211 in the Title I Fund, and \$8,942 in the Preschool Grant Fund (special revenue) arose from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the budgetary basis of accounting.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE/NET ASSETS

For fiscal 2011 the District implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions.

In addition, the total amount of grant funds to be received from the Ohio School Facilities Commission (OSFC) for school building construction was reduced in fiscal 2011.

The implementation of GASB Statement No. 54 and the change in the OSFC grant receivable resulted in changes to beginning of year fund balance/net assets as detailed below:

	General Fund	Other Governmental Funds	Governmental Activities
Fund Balance/Net Assets at June 30, 2010	\$17,250,913	\$7,969,066	\$127,010,635
OSFC Grant Receivable	0	0	(3,076,389)
Fund Reclassification	128,140	(128,140)	0
Net Assets, as restated	\$17,379,053	\$7,840,926	\$123,934,246

In addition, the fiscal 2011 General Fund budgetary statement beginning balance was adjusted to reflect the General Fund as budgeted by the District. As a result, beginning General Fund budgetary balance decreased \$47,258 to a restated balance of \$20,533,961.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 4 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Ohio School Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Supplies Inventory	\$396,753	\$0	\$18,012	\$414,765
Total Nonspendable	<u>396,753</u>	<u>0</u>	<u>18,012</u>	<u>414,765</u>
Restricted:				
Statutory Reserves	900,371	0	0	900,371
Staff Development & Support	0	0	44,774	44,774
Auxiliary Services	0	0	98,451	98,451
Facilities Maintenance	0	0	1,059,978	1,059,978
Extracurricular Activities	0	0	77,733	77,733
Entry Year Programs	0	0	59	59
Ohio Reads Program	0	0	9,682	9,682
Safe and Drug Free Program	0	0	1,389	1,389
Race to the Top Program	0	0	3,455	3,455
Technology Improvement	0	0	963	963
Other Purposes	0	0	21,633	21,633
Debt Service Payments	0	0	2,871,163	2,871,163
Capital Acquisition and Improvement	0	82,327,881	6,832,278	89,160,159
Total Restricted	<u>900,371</u>	<u>82,327,881</u>	<u>11,021,558</u>	<u>94,249,810</u>
Committed:				
Pollution Remediation	11,000	0	0	11,000
Total Committed	<u>11,000</u>	<u>0</u>	<u>0</u>	<u>11,000</u>
Assigned to Other Purposes	4,104,021	0	0	4,104,021
Unassigned	6,913,220	0	(558,621)	6,354,599
Total Fund Balances	<u>\$12,325,365</u>	<u>\$82,327,881</u>	<u>\$10,480,949</u>	<u>\$105,134,195</u>

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 5 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$23,284,228 and the bank balance was \$23,488,050. Federal depository insurance covered \$750,000 of the bank balance and \$22,738,050 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	\$22,738,050
Total Balance	\$22,738,050

B. Investments

The District's investments at June 30, 2011 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>	
			<u>less than 1</u>	<u>1-3</u>
STAR Ohio	\$3,025,873	AAAm ¹	\$3,025,873	\$0
US Treasury Notes/Bills	12,993,379	N/A	12,993,379	0
US Treasury Money Market	1,399,352	N/A	1,399,352	0
FFCB	297,240	AAA ^{1,2}	0	297,240
FNMA	2,516,674	AAA ^{1,2}	536,019	1,980,655
FHLB	45,859,688	AAA ^{1,2}	39,687,927	6,171,761
FHLMC	28,416,746	AAA ^{1,2}	12,932,584	15,484,162
Total Investments	\$94,508,952		\$70,575,134	\$23,933,818

HUBER HEIGHTS CITY SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30,2011***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

¹ Standard & Poor's

² Moody's Investor Service

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 3.2% are STAR Ohio, 13.76% are United States Treasury Notes, 1.48% are Money Market Funds, 0.3% are FFCB, 2.66% are FNMA, 48.52% are FHLB, and 30.08% are FHLMC.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$26,310,101	\$91,483,079
Investments:		
STAR Ohio	(3,025,873)	3,025,873
Per GASB Statement No. 3	\$23,284,228	\$94,508,952

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$49,678, which includes \$19,328 assigned from other District funds.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property, and telephone and telecommunications property used in business and located in the District. Real property taxes (other than public utility) collected during 2011 were levied after April 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last equalization adjustment was completed in 2011. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20.

Tangible personal property tax revenues received during calendar year 2011 (other than public utility property) represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on values as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. House Bill No. 66 was to hold districts harmless by replacing a portion of the revenue lost by the District due to the phasing out of the tax. In fiscal years 2006-2009, the District was fully reimbursed for the lost revenue. In fiscal years after 2010, the District will not be reimbursed for the lost revenue.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Huber Heights City School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed value upon which the fiscal year 2011 receipts were based are:

	2010 Second Half <u>Collections</u>	2011 First Half <u>Collections</u>
Agricultural/Residential and Other Real Estate	\$741,060,390	\$734,637,140
Public Utility Personal	10,138,630	10,568,500
Tangible Personal Property	<u>283,680</u>	<u>0</u>
Total Assessed Value	<u>\$751,482,700</u>	<u>\$745,205,640</u>
Tax rate per \$1,000 of assessed valuation	\$69.25	\$69.25

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of intergovernmental receivables follows:

Fund	Amount
Race to the Top Fund	\$75,445
Title I Fund	514,631
Preschool Grant Fund	16,136
Improving Teacher Quality Fund	19,839
Ohio School Facilities Commission Fund	2,504,560
	\$3,130,611

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Following is a summary of interfund receivables and payables for all funds at June 30, 2011:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$21,520	\$0
Other Governmental Funds	0	21,520
Totals	\$21,520	\$21,520

These Interfund Loans are short-term loans to prevent a temporary cash deficit.

NOTE 9 - TRANSFERS

Following is a summary of transfers in and out for all funds for the fiscal year 2011:

Fund	Transfer In	Transfer Out
Ohio School Facilities Fund	\$0	\$2,839,744
Other Governmental Funds	2,839,744	0
Total All Funds	\$2,839,744	\$2,839,744

In fiscal 2011 the Ohio School Facilities Fund transferred \$2.8 million to the Locally Funded Initiative building fund for the purpose of constructing and furnishing items that were not co-funded by the Ohio School Facilities Commission.

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 10 - CAPITAL ASSETS

Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at June 30, 2011:

Historical Cost:

<u>Class</u>	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
<i>Capital assets not being depreciated:</i>				
Land	\$978,013	\$0	(\$8,010)	\$970,003
Construction in Progress	11,929,760	63,013,332	(911,372)	74,031,720
	<u>12,907,773</u>	<u>63,013,332</u>	<u>(919,382)</u>	<u>75,001,723</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	2,084,348	923,789	(56,327)	2,951,810
Buildings and Improvements	26,293,732	444,729	(3,961,428)	22,777,033
Machinery and Equipment	4,050,490	48,700	(584,920)	3,514,270
Vehicles	3,505,318	389,043	(144,889)	3,749,472
Total Cost	<u>\$48,841,661</u>	<u>\$64,819,593</u>	<u>(\$5,666,946)</u>	<u>\$107,994,308</u>

Accumulated Depreciation:

<u>Class</u>	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Land Improvements	(\$1,032,551)	(\$76,652)	\$31,974	(\$1,077,229)
Buildings and Improvements	(12,596,756)	(530,110)	2,200,428	(10,926,438)
Machinery and Equipment	(2,976,834)	(106,375)	224,023	(2,859,186)
Vehicles	(1,860,843)	(298,141)	130,400	(2,028,584)
Total Depreciation	<u>(\$18,466,984)</u>	<u>(\$1,011,278) *</u>	<u>\$2,586,825</u>	<u>(\$16,891,437)</u>
<i>Net Value:</i>	<u>\$30,374,677</u>			<u>\$91,102,871</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$616,869
Support Services:	
Administration	76,136
Fiscal Services	770
Business	1,081
Operations & Maintenance of Plant	54,493
Pupil Transportation	257,933
Extracurricular Activities	3,996
Total Depreciation Expense	<u>\$1,011,278</u>

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 11- DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,336,359, \$1,179,547 and \$808,805 respectively, which were equal to the required contributions for each year.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 11- DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$4,275,681, \$4,130,735, and \$4,031,051 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2011 were \$108,867 made by the District and \$77,762 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, two members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$307,914, \$187,329, and \$507,386 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$85,998, \$70,145, and \$66,733 respectively; which were equal to the required contributions for each year.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$328,899, \$317,749, and \$310,081 respectively; which were equal to the required contributions for each year.

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HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in the long term debt of the District for the year ended June 30, 2011 is as follows:

		Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Amount Due Within One Year
Governmental Activities:						
Energy Conservation Note:						
School Improvement - 4.58%	2005	\$151,825	\$0	(\$30,365)	\$121,460	\$30,365
General Obligation Bonds:						
School Improvement - 2.0-5.0%	2010	80,015,000	0	(855,000)	79,160,000	875,000
Certification of Participation:						
School Improvement - 6.75%	2010	1,700,000	0	(60,000)	1,640,000	75,000
Early Retirement Incentive Payable		0	1,448,619	0	1,448,619	482,873
Capital Leases Payable		243,052	142,652	(156,604)	229,100	137,163
Compensated Absences		1,896,865	230,975	(566,534)	1,561,306	230,788
Total Long Term Debt and Other Obligations		<u>\$84,006,742</u>	<u>\$1,822,246</u>	<u>(\$1,668,503)</u>	<u>\$84,160,485</u>	<u>\$1,831,189</u>

The original amounts of the long term notes payable of \$303,650 were used to finance the cost of acquiring and installing energy conservation measures. The \$82 million of General Obligation Bonds and \$1.7 million of Certificates of Participation are for the construction of seven new school buildings.

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2011 follows:

Years	Energy Conservation Notes		General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$30,365	\$5,563	\$875,000	\$3,673,075	\$75,000	\$108,169
2013	30,365	4,172	1,030,000	3,651,644	80,000	102,938
2014	30,365	2,781	1,055,000	3,626,869	85,000	97,369
2015	30,365	1,391	1,080,000	3,600,182	90,000	91,463
2016	0	0	1,245,000	3,568,007	95,000	85,219
2017-2021	0	0	9,675,000	16,920,611	590,000	315,564
2022-2026	0	0	13,710,000	14,232,541	625,000	88,256
2027-2031	0	0	18,780,000	10,389,016	0	0
2032-2036	0	0	25,545,000	4,885,625	0	0
2037	0	0	6,165,000	154,125	0	0
Totals	<u>\$121,460</u>	<u>\$13,907</u>	<u>\$79,160,000</u>	<u>\$64,701,695</u>	<u>\$1,640,000</u>	<u>\$888,978</u>

HUBER HEIGHTS CITY SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE 14 - CAPITALIZED LEASE

The District is obligated under several leases accounted for as capital leases. The cost of the leased assets is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Other Long-Term Obligations. The original cost of the assets under capital lease was \$641,516.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2011:

Year Ending June 30,	Capital Lease
2012	\$145,234
2013	39,142
2014	39,142
2015	19,571
Minimum Lease Payments	243,089
Less: Amount representing interest at the District's incremental borrowing rate of interest	(13,989)
Present Value of minimum lease payments	\$229,100

NOTE 15 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2011, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Reserve Balance as of June 30, 2010	\$827,054	(\$2,654,026)	(\$1,826,972)
Current Year Set-Aside Requirement	931,067	931,067	1,862,134
Current Year Qualifying Expenditures	(857,750)	0	(857,750)
Current Year Offsets	0	(4,472,055)	(4,472,055)
Total	\$900,371	(\$6,195,014)	(\$5,294,643)
Balance Carried Forward to FY 2012	\$900,371	(\$6,195,014)	(\$5,294,643)
Amount Restricted for Textbooks			\$900,371

Amounts not spent by year end must be held in cash and carried forward to be used for the same purpose in future years. During 2011 the District utilized the tax receipts recorded in the Debt Service Fund as an off-set to the capital spending requirement. These tax receipts are used to repay the debt issued to finance school construction projects, and may be carried forward to offset future year's capital acquisition set-aside requirements.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with Indiana Insurance Company for building and property insurance. This policy has a limit of insurance in the amount of \$106,992,144 for property. Property has a \$500 deductible. Both Vehicle and General liability insurance is under Indiana Insurance. The base policy has a \$1,000,000 per occurrence and a \$2,000,000 aggregate limit. An additional “umbrella” policy has \$10,000,000 per occurrence and \$10,000,000 aggregate limit. The superintendent, treasurer, messengers, athletic director and all principals are bonded.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The District is a member of the Southwestern Ohio Educational Purchasing Council (SOEPC). The council contracts with Comp Management to provide an insurance purchasing pool for workers compensation. The intent of the pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the pool. The workers compensation experience of the participation school districts is calculated as one experience and a common premium rate is applied to all school districts in the pool. Each participant pays this rate. Total savings is then calculated and each participants individual performance is compared to the overall savings percentage of the pool. A participant will then either receive money from or be required to contribute to the pool. This equity pooling arrangement insures that each participant shares equally in the overall performance of the pool. Participation in the pool is limited to school districts that can meet the pool's selection criteria. Comp Management provides administrative cost control and actuarial services to the SOEPC.

The District has elected to provide employee medical benefits through United Health Care as part of an insurance purchasing pool through the SOEPC. The employees share the cost of the monthly premium with the board for single and family plans. The board pays 90 percent of the premium.

The District provides life insurance to employees through Great American Life Insurance.

NOTE 17 - JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Computer Association – The District is a member of the Metropolitan Dayton Educational Computer Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 17 - JOINTLY GOVERNED ORGANIZATION (Continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member schools districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The District paid MDECA \$126,619 for services provided during the year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council – The District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOPEC. Each member district has one voting representative. Any district withdrawing from the SOPEC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. Payments to SOEPC are made from various funds. During fiscal year 2011, the District paid \$308,604 to SOEPC. To obtain financial information, write to Southwestern Ohio Educational Purchasing Council, Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Miami Valley Career Technical Center – The Miami Valley Career Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of seventeen members elected from twenty-seven participating school districts. The Board possesses its own budgeting and taxing authority.

Southwestern Ohio Instructional Technology Association (SOITA) - SOITA is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of SOITA is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members of those counties i.e. Auglaize, Butler, Champaign, Clark, Clifton, Darke, Fayette, Green, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Green, and Butler counties shall elect two representatives per area. All others shall elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after a nomination committee nominates individuals to run. One at-large non-public representative shall be elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative shall be elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2011, the School District paid \$3,713 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association at 150 East Sixth Street, Franklin, Ohio 45005.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 17 - JOINTLY GOVERNED ORGANIZATION (Continued)

Educational Regional Service System Region 10 - The School District participates in the Educational Regional Service System (ERSS) Region 10, a jointly governed organization consisting of educational entities within Clark, Darke, Greene, Miami, Montgomery, and Preble counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Montgomery County Educational Service Center, 200 South Keowee Street, Dayton, Ohio, 45402.

NOTE 18 – INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan – The EPC Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the Southwestern Ohio Educational Purchasing Cooperative. The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross or United Healthcare. Districts may also contribute monthly to the Trust fund for dental benefits provided through a self-funded dental plan administered by CoreSource. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating EPC member districts. In fiscal year 2011, the District contributed \$9,080,827, which represented 7.03 percent of total contributions to the Trust. Financial information can be obtained from Barbara Coriell, who serves as administrator, at EPC Benefits Office, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011

NOTE 19 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

The District is not a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2011.

NOTE 20 – CONTRACTUAL COMMITMENTS

As of June 30, 2011 the District had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Amount of Commitment</u>	<u>Estimated Date of Completion</u>
New School Facility Construction	\$66,149,291	December 2012

NOTE 21 – TERMINATION BENEFITS

During fiscal year 2011 the District entered into an Employee Service Plan (ESP) which offered full and part-time teachers and classified staff who had ten or more years of service with the District or were eligible for full or reduced state retirement benefits as of June 30, 2011 an early retirement incentive. Eligible teachers would receive \$45,000, plus an amount equivalent to the employees applicable contractual sick leave pay. Eligible classified employees would receive 100% of his/her fiscal year 2011 base salary not to exceed \$20,000 plus an amount equivalent to the employees applicable contractual sick leave pay. As of June 30, 2011, the liability for the ESP was \$1,448,619 payable to the plan sponsor in three annual installments though fiscal year 2014.

Huber Heights City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Award Receipts</u>	<u>Award Disbursements</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	98,178	98,178
Cash Assistance				
National School Breakfast Program	05-PU	10.553	190,167	190,167
National School Lunch Program	LL-P4	10.555	968,493	968,493
Special Milk	02-PU	10.556	5,076	5,076
Summer Food Service Program	24-PU	10.559	<u>7,976</u>	<u>7,976</u>
Total U.S. Department of Agriculture			<u>1,269,890</u>	<u>1,269,890</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Cluster				
Title I Grant	C1-S1	84.010	1,269,786	1,303,532
Title I Grant - ARRA	C1-S1	84.389	<u>328,792</u>	<u>321,543</u>
Total Title I Cluster			<u>1,598,578</u>	<u>1,625,075</u>
Special Education Cluster:				
IDEA B	6B-SF	84.027	1,276,772	1,278,495
IDEA B - ARRA	6B-SF	84.391	776,644	825,035
IDEA Preschool	6B-SF	84.173	36,647	42,668
IDEA Preschool - ARRA	PG-S1	84.392	<u>24,088</u>	<u>36,206</u>
Total Special Education Cluster			<u>2,114,151</u>	<u>2,182,404</u>
Race to the Top- ARRA		84.395A	79,774	76,300
Education Jobs		84.410	972,356	972,171
Title II-D - Technology		TJ-S1	5,848	11,094
Improving Teacher Quality		CR-S1	225,733	209,582
Title III - Immigrant		T3-S2	51,226	51,226
State Fiscal Stabilization Fund - ARRA		NA	<u>2,122,903</u>	<u>2,177,903</u>
Total Passed Through Ohio Department of Education			<u>7,170,569</u>	<u>7,305,755</u>
Total U.S. Department of Education			<u>7,170,569</u>	<u>7,305,755</u>
TOTAL FEDERAL AWARD EXPENDITURES			\$ <u>8,440,459</u>	\$ <u>8,575,645</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

HUBER HEIGHTS CITY SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State and Local funds. It is assumed federal monies are expended first. At June 30, 2011, the School District had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

Certain federal programs require the School District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule of Expenditures of Federal Awards.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board of Education
Huber Heights City School District
5954 Longford Road
Huber Heights, Ohio 45424

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Huber Heights City District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as finding 2011-001. A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter dated November 28, 2011.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the finance committee, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 28, 2011

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Education
Huber Heights City School District
5954 Longford Road
Huber Heights, Ohio 45424

Compliance

We have audited the compliance of the Huber Heights School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2011-002. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the finance committee, others within the entity, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 28, 2011

**Huber Heights City School District
Schedule of Findings and Questioned Costs
Fiscal Year Ended June 30, 2010**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133? Yes

Identification of major programs:

Special Education Cluster
CFDA 84.027 – IDEA B
CFDA 84.173 – IDEA Preschool
CFDA 84.391 – IDEA B – ARRA
CFDA 84.392 – IDEA Preschool – ARRA

State Fiscal Stabilization Fund – ARRA
CFDA 84.394

Education Jobs
CFDA 84.410

Dollar threshold to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

Finding 2011-001 – Internal Controls over Athletic Receipts

Criteria: Ohio Revised Code section 9.39 states “all public officials are liable for all public money received or collected by them or by their subordinates under color of office.” The term “public official” is defined in Ohio Revised Code section 117.01(E) as “any officer, employee, or duly authorized representative or agent of a public office.” Additionally, Ohio Revised Code section 117.01(C) defines “public money” as “any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of the public office”.

Condition: Subsequent to June 30, 2011, but prior to the date of the audit report, it was discovered that \$4,176 collected in football gate receipts on September 9, 2011 was not deposited to the District’s account. Procedures performed indicated two individuals working for the Athletic Department had access to the missing deposit but there was insufficient evidence to support which of those individuals were directly responsible for the loss. It was determined that the Athletic Director did not directly handle these funds, however, under Ohio law, public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

Cause: Errors were made in the bank deposit requiring the bank to return the funds to correct the deposit slip. The District did not have procedures in place to secure or track deposits returned from the bank for correction.

Effect: The failure to secure and track the returned deposit resulted in lost funds that could not be recovered.

Management Response: The District is continuing to work with the Athletic Department to strengthen accounting controls and review policies and procedures which will result in improved accountability.

Section III – Federal Awards Findings and Questioned Costs

Finding 2011-002 – Noncompliance – State Fiscal Stabilization – ARRA – CFDA 84.394

Criteria: 34 CFR 80.20 (b)(7) requires that when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make draw downs as close as possible to the time of making disbursements. The District received bi-monthly advance payments of State Fiscal Stabilization funds from the Ohio Department of Education foundation program.

Condition: Through November of the fiscal year ending June 30, 2011, the District maintained a cash balance indicating that funds were not spent timely.

Cause: The District did not implement procedures to ensure advance payments were spent timely.

Effect: The failure to spend federal money in a timely manner could result in loss of funding or other actions by the awarding agency.

Management Response: The District expended the funds during the period of availability but did not code those expenditures as State Fiscal Stabilization Fund expenditures. These expenditures were subsequently coded to the proper account.

Section IV – Summary of Prior Audit Findings and Questioned Costs

None

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Education
Huber Heights City School District:

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Huber Heights City School District (the District) has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on February 11, 2010, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
November 28, 2011

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Dave Yost • Auditor of State

HUBER HEIGHTS CITY SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 19, 2012